

Message Text

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C O N F I D E N T I A L OTTAWA 00888

PARIS FOR USOECD

E.O. 11652: GDS
TAGS: EGEN, OECD, CA
SUBJECT: EAST-WEST ECONOMIC RELATIONS: PROPOSAL FOR
COMMON WESTERN ASSESSMENT OF IMPLICATIONS OF DETERIORATING
ECONOMIC PROSPECTS IN THE EAST

1. SUMMARY. EMBASSY APPRECIATES CONTRIBUTION ASSESSMENT
SUGGESTED BY USOECD MAY MAKE TO MANAGING U.S. AND
WEST'S ECONOMIC RELATIONS WITH USSR AND EASTERN EUROPE.
CANADIAN STAKE IN THOSE RELATIONS IS RELATIVELY LESS
THAN OURS. NONETHELESS, INFORMAL GOC REACTION TO
POSSIBILITY OF U.S. PROPOSING ASSESSMENT, WHILE QUALIFIED,
IS GENERALLY POSITIVE. IF U.S. DECIDES TO PURSUE
PROPOSAL, CANADIANS, WE BELIEVE, ARE PREPARED TO BE
HELPFUL AND WE SUGGEST UNDER SECRETARY COOPER DISCUSS
CONCEPT INFORMALLY IN ADVANCE WITH CANADIAN DELEGATE TO
XCSS -- ROBERT JOHNSTONE, DEPUTY UNDER SECRETARY EXTAFF.
END SUMMARY.

2. WE APPRECIATE AND CONCUR IN RATIONALE ADVANCED BY
USOECD FOR MEDIUM-TERM ASSESSMENT OF EAST'S ECONOMIC
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PROSPECTS AND IMPLICATIONS FOR WEST.

3. EMBASSY RAISED INFORMALLY WITH EXTAFF DEPUTY UNDER
SECRETARY FOR ECONOMIC AFFAIRS ROBERT JOHNSTONE
CONSIDERATION U.S. IS GIVING TO USEFULNESS OF COMMON
ASSESSMENT OF EAST'S ECONOMIC PROSPECTS. (JOHNSTONE
WILL BE CANADIAN DELEGATE TO FEBRUARY 24 XCSS MEETING).

JOHNSTONE WAS INTERESTED BUT CAUTIOUS AND SUGGESTED HE WOULD WELCOME OPPORTUNITY INFORMALLY TO DISCUSS PROPOSAL FURTHER WITH UNDER SECRETARY COOPER IF U.S. DECIDED TO PURSUE IT.

4. SUBSEQUENTLY, EMBASSY HAS HEARD FROM EXSTAFF STAFF LEVEL (AGAIN INFORMALLY) THAT CANADA WOULD BE INCLINED TO SUPPORT CALL FOR COMMON ECONOMIC ASSESSMENT IF U.S. DECIDED TO MAKE ONE -- NOTING THIS WOULD SUPPLEMENT CURRENT NATO STUDY--BUT HAD THREE PRELIMINARY CONCERNS:

A) THERE SHOULD BE RECOGNITION AT OUTSET OF INHERENT LIMITATIONS ON ABILITY TO FORECAST EAST'S LONGER-TERM ECONOMIC OUTLOOK;

B) INFORMATION RESOURCES AVAILABLE TO OECD STAFF THAT WOULD BE REQUIRED FOR ASSESSMENT ARE LIMITED AND THERE PROBABLY WOULD NEED TO BE SHARING OF NATIONALLY-HELD DATA;

C) INSTITUTIONAL IMPLICATIONS OF ENGAGING OECD IN STUDY LIKELY TO PRODUCE SENSITIVE CONCLUSIONS AND SCENARIOS WOULD NEED TO BE CONSIDERED. A SMALLER GROUP, POSSIBLY COORDINATING THROUGH OECD, MIGHT BE SUITABLE.

5. STAFF-LEVEL CONTACT REITERATED CANADIAN INTEREST
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IN POSSIBLE COMMON ASSESSMENT AND JOHNSTONE'S WILLINGNESS TO DISCUSS MATTER FURTHER WHILE AT XCSS.

6. COMMENT. POSITIVE, BUT CAUTIOUS, CANADIAN INTEREST IS NOT SURPRISING. EAST'S ECONOMIC FUTURE IS OF RELATIVELY LESS DIRECT IMPORTANCE TO CANADA THAN TO EXPORTERS OF INDUSTRIAL GOODS AND TECHNOLOGY. EASTERN EUROPE AND USSR ACCOUNT FOR ABOUT TWO PERCENT OF CANADIAN EXPORTS, AND, OF THIS, GRAINS ACCOUNT FOR NEARLY THREE QUARTERS OF VALUE. NONETHELESS, CANADA DOES HAVE DIRECT ECONOMIC INTEREST IN EAST'S FUTURE GRAINS IMPORT CAPACITY AND CREDIT WORTHINESS. OVERALL, CANADA COULD BE EXPECTED TO SUPPORT SCENARIO ENCOURAGING GREATER INTERACTION AND TRADE. ENDERS

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